

Funding consultation update

Thank you for the responses provided to our second consultation on our proposed changes to the funding band recommendation process. We were pleased to receive 180 responses. Over both consultations we have received over 400 separate responses.

By way of reminder, the [first consultation on our website](#) shared a core model for setting funding bands for apprenticeships, with two options for addressing the differences in teaching costs and equipment. It asked questions about aspects of the current approach stakeholders want to keep, the transparency of the new model, the two options and ease of use. The [second consultation on our website](#) set out a single proposed model which took account of the feedback from the first consultation and built on the options originally set out.

During this second consultation, we shared our proposals with over 1,000 people through online consultation events and wider engagement. These interactive, digital events and workshops provided the opportunity for us to discuss our proposed model with participants and answer any questions. Thank you to all who attended and took part in the discussions.

While respondents were generally positive about the improved transparency of the model, many respondents raised a concern that the new model would result in broad reductions to levels of funding for current apprenticeships. This is not the intention of the model. Since September we have been testing the proposed model with employers and training providers to see what effect use of the 'variable' element of our proposed model might have on funding levels.

Linked to this concern, many respondents noted that the model did not take account of those costs associated with the delivery of an apprenticeship which are not eligible for Government funding. It is worth reiterating that eligible costs policy is outside the scope of this consultation, and there has been no change in this policy. Nevertheless, the ESFA have agreed in parallel to review current policy on eligible costs.

As our further testing and ESFA's review of eligible costs may have an impact on the final model, we need to ensure we understand these outcomes before we publish the full response to the consultation. We plan therefore to publish a full consultation response in parallel with the outputs from the testing work and the conclusion of ESFA's review. In the meantime, we have included a summary of some of the key themes emerging from the consultation and our initial responses to them.

Given the above, we believe providing this update and summary of key themes now is the best way to honour our commitment to continuing engagement with stakeholders.

Next steps

In addition to the continuing work on the detail of the approach, we are now starting to carry out internal testing of operational processes to better understand the impact of the proposed model on our own systems and processes. This will not impact funding band recommendations being made. It is designed to ensure that trailblazers' experience of using the new model runs smoothly when it is launched.

We are also working with the end-point assessment (EPA) sector to identify and develop options for how we estimate the cost of delivering EPA. This will replace the current quote-based estimate for EPA to form the EPA component of the overall funding band. We are considering several potential approaches and will continue to work with the sector to both design a model and gather further evidence on EPA delivery costs.

Having completed this activity, and once the ESFA has completed its review of eligible costs, we will publish a final consultation response. This will also include the outcomes of the first round of testing. We then expect to conduct a second round of testing to understand the impact of the proposed model changes, particularly in light of any refinements following first round testing outcomes and the ESFA's completed review.

Once this work is complete, we will publish a concluding report, which will include a project report, the final version of the model, final testing outcomes and a full impact assessment.

Proposed timescales are as follows:

December 2020 – April 2021

- ESFA undertakes a review of its existing eligible costs.
- IFATE continues first round of testing.
- IFATE tests the operational capability of the model.

April - May 2021

- ESFA complete review of eligible costs.
- Full response to the IFATE consultation including:
 - full summary of responses
 - outcomes of first round of testing
 - launch second round of testing

Summer 2021

- Final publication including:
 - testing outcomes
 - agreed model
 - final impact assessment
 - implementation details

Summary of responses to the consultation

There were several key themes emerging from the responses to the written consultation and event feedback. We have set out those that occurred most often below:

Transparency

Many consultation responses and event participants stated that they thought the proposed approach was both clear and transparent.

“Clear process and timeline of what is expected and required.”

“It is certainly transparent, and more transparent than the current system. But transparency alone does not guarantee that the funding band outcome is viable.”

“Although the above seems to be more transparent than previous it does not consider the wider activities which are involved in delivering specialist standards such as accounting.”

Transparency and clarity are the key design criteria, and we are pleased that in developing the model, many stakeholders agreed that this was something we got right.

Cost categories

Consultees made clear that of the cost elements included in the model, teaching salaries and other teaching related costs might need to be refined in order to reflect actual costs.

“Our principal concern is that salary is only one part of teaching costs and doesn't reflect the on costs of employment or the additional value of HE delivery. HE will cross subsidise apprenticeships compared to standard HE delivery which will lead to supply side issues if funding bands reduce.”

“For many apprenticeship programmes, highly skilled and professionally qualified staff need to be recruited to deliver training in an effective way. Salaries would be higher than the estimates within the model.”

The research we commissioned last year showed us that costs in relation to teaching were the highest proportion of delivery costs, so we remain committed to getting this right. The variable element of the model allows trailblazer groups to provide further detail on modes of delivery, where these vary from what is typical. Lastly, as we are still developing the proposed model, we want to reiterate that it remains open to refinement.

Consultees said also that we need to ensure that there is a clear connection between actual costs and funding bands.

“Although the suggested funding methodology appears more transparent than the previous arrangement, it does not give confidence as the outputs appear incongruent and unrealistic to actual costs in place. It is understood that the field work represents only 10% of Providers and only up to 25% of the market.”

The proposed approach uses estimated rates based on the reported delivery costs. This is from independent evidence. This included [commissioned research on our website](#), which covered 54 standards, represented 15% of all standards approved for delivery by September 2018 and 54% of all starts in the 2018/19 academic year. We recognise that as time progresses, the apprenticeship market will continue to evolve, and we will continue to build and update our evidence base. The proposed approach also includes a variable element, which can be used where expected delivery will significantly vary from the modes we identified from independent evidence.

Furthermore, as mentioned above, sometimes it is not possible for all delivery costs to be covered by a funding band. For example, where costs exceed the highest available funding band, the apprentice cohort or employers have higher than average costs, or employers seek training over and above that required by the standard to achieve occupational competence. In such cases, employers and training providers are free to agree a price above the funding band but would need to supplement the additional costs from their resources. The funding band does not represent all public funding on offer, with wider support potentially available such as the additional payments accessible within apprenticeships.

Funding band reductions

As mentioned earlier, there was also concern about the proposed model resulting in a reduction in funding bands.

“Even the highest estimate of the weighted rates outlined for the components of the funding formula is likely to be insufficient to deliver a Degree Apprenticeship. Only a small proportion of data was captured from HEIs and used by IFF; therefore, any conclusions on a funding band methodology will be heavily biased towards the historic provider base, FE colleges and ITPs. Proposed bands do not seem to take into account the extra costs incurred when teaching beyond level 6.”

“The standard model appears to have been designed to provide funding bands at the lowest economically viable level. This does not equate with the aim of delivering high quality training. Without resorting to the variable model in each case it seems highly likely that the costs involved in delivery will be grossly under called.”

The purpose of the proposed changes is not to reduce funding bands. We aim to create an approach which is more transparent in process and outcomes, relies on independent evidence and has the flexibility to reflect the particular needs of apprenticeships.

We do appreciate that the rates-based model will not always be suitable. Where costs of delivering an apprenticeship are typically more expensive, these differences can still be captured in our proposed model by using the variable element.

We are still developing the proposed model, including determining the assessment costs for degree apprenticeships, and could be refining the model in light of the outcome of any further testing. Additionally, to minimise disruption to the market, we expect to apply a mechanism that will limit the effect of changing the funding band for existing standards that go through our revisions process. This is to be determined but may be a limit to the percentage change in a funding band over a 12-month period.

However, the funding band recommendations process will continue to be based on only the eligible costs of delivery, with the scope of the process therefore remaining unchanged under our proposed new model. The funding band represents a maximum amount of government funding that can be accessed. However, employers and providers are free to agree a price which is either below or above this depending on learner-level delivery costs. For example, there may be cases where the cost of reaching occupational competence exceeds the funding band, for example where costs exceed the highest available funding band, the apprentice cohort or employers have higher than average costs, or employers seek training over and above that required by the standard to achieve occupational competence. In such cases, they would need to supplement the additional costs separately.

Training provider input

Many consultees also said that it was important that trailblazers seek information from training providers, to ensure that costs are feasible.

“It’s unclear how IfATE will reach a decision on funding band following the submission by the Trailblazer group. In addition, it’s not clear what guidance will be given to Trailblazer groups to seek input from the very stakeholders (Training Providers and EPAOs) that will be tasked with delivering the programmes. The Trailblazer groups are not necessarily comprised of individuals with experience or expertise in the areas of assessment and training.”

“Individual trailblazer groups should obtain this [information] via engagement with education providers, including universities where relevant. Trailblazer groups should be able to consider this when developing a funding band.”

“Review of the variable element can be actioned by verification with the training provider. It’s a concern that it is not mandatory to have input from the training providers involved in the delivery of apprenticeships for all calculations in the model.”

The Institute continues to be employer led and we will continue to develop and cost apprenticeship standards based on the needs of employers. However, we understand the contribution that training providers play and that is why the independent evidence that informs the proposed approach relied on reports of actual costs incurred by training providers. Additionally, we continue to encourage employers to engage with training providers and end point assessment organisations in developing apprenticeship standards.

Training group sizes

Many consultees said that small group sizes are needed for the purposes of niche occupations and for quality.

“[Small group sizes are needed] on every programme as this produces better quality training and maximise[s] the support that is needed for the programme to be successful.”

“Smaller teaching sizes = higher quality in the majority of cases. Do you want quality or low cost? Because sustained quality will only be possible if group sizes are at a reasonable level.”

“Smaller cohorts may be necessary to facilitate niche programmes, highly specialist programmes, to support geographically dispersed learners or to align with the recruitment needs of employers. In addition, many programmes require apprentices to have an element of 1:1 support and coaching to help prepare them for their assessment.”

We were pleased to see strong support for allowing different group sizes to be taken into account within the variable element of the model.

Ineligible costs

Although outside the scope of the consultation, concern about how ineligible costs will be dealt with formed a large part of the feedback. Almost half of the consultation responses (44%) stated concerns with how they would cover costs which the ESFA funding rules specify are ineligible. This was also regularly mentioned in our engagement. Many suggested that using rates which only cover the eligible costs would not be enough to cover the actual cost of delivery.

As is already the case, the funding band recommendations process will continue to be based on only the eligible costs of delivery, with the scope of the process therefore remaining unchanged under our proposed new model. The ESFA has committed to undertake a review of its existing policy on eligible costs. When this is completed and any potential policy changes are understood, we can further understand any changes to how our proposed model would function.

Conclusion

Thank you again for your interest in our second consultation on proposed changes to the funding band recommendation process. We look forward to continuing to work with you as we refine the model.



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